

{As prepared for delivery}

Remarks

**Gilbert Gonzalez, Acting Under Secretary
USDA Rural Development
HAC Annual Conference
Friday, December 10, 2004
Washington, D.C.**

Good Afternoon and thank you for inviting me to your National Rural Housing Conference. Honor to be here with you.

Moises Loza

Ms. Jackie Pryor (Freddie Mac)

Thank you Moises for the invitation to join you today, and for your many efforts on behalf of rural America. I am particularly appreciative for your efforts to help more rural families become homeowners.

Commend Moises Loza

Met on three occasions

Worked for FmHA, predecessor to Rural Development, and, has committed his talents to HAC for the last 20 years helping families in rural America.

Partnership efforts with HAC:

Co-sponsored Poster Contest, Tessa Grooms – in her own words she described the meaning of having a home

**Assistance with the re-write of the Self-Help Housing regulations (1944(i)).
Participation on the taskforce was very important to ensuring that the new regulations will be helpful to you in administering your self-help program in your community.**

HUD

Partnerships with HUD

As a result of the President's Minority H-O initiative, joint reporting with VA/USDA/HUD

Scorecard Development

SW Border Initiative

REO website

**USDA & HUD recently signed BIA MOU – bring
H-O to Native Americans**

Freddie MAC – recent pilot 538 program

You are helping us bring hope, increased economic opportunity and an improved quality of life for families in rural America.

When President Bush talks about America's Ownership Society, he is talking about what each of you are doing everyday to help families, businesses and communities increase their equity in their own futures through investments in homeownership and business development.

President Bush's 2002 challenge to government and private sector lending and housing leaders to increase by 5.5 million, the number of minority families owning their own home by 2010 was a bold challenge.

I am pleased to say that we are making significant progress in meeting his 2010 goal. To date, after only two years, 1.6 million families have joined the ranks of becoming homeowners. (30% of 8-year goal)

Earlier this summer President Bush said "...if you own something, you have a vital stake in the future of our country. The more ownership there is in America, the more vitality there is in America, and the more people have a vital stake in the future of this country." - President George W. Bush, June 17, 2004

[America's Ownership Society: Expanding Opportunities](#)

As you likely know, President Bush recently set a new public-private goal of increasing the supply of affordable housing by [seven million over the next 10 years](#). This is in addition to the 5.5 million families by 2010.

We firmly believe that owning a home is the oldest and best form of building equity. We must encourage more families to invest in their future. As you know, this investment will help families build wealth, lead to job growth and create a generation of new economic activity in rural communities and regions.

Everyday, USDA Rural Development seeks to increase the equity position of families and communities through our \$86 billion dollar portfolio of loans with 40 programs focused on 3 primary areas: housing, utilities, and business.

We are essentially the only Federal entity that has the capacity to assist communities in building their town from the ground – up...providing infrastructure, housing, and business programs.

Since the beginning of the Bush Administration, USDA Rural Development has invested roughly \$50 billion in rural areas: Averaging \$12 - \$13 Billion – per year – up from \$9 Billion in the years of 1998-2000 – this is a 30-40% increase. These efforts have resulted in creating or saving over 800,000 jobs across this country.

Of that \$50 billion, nearly \$15 billion, or 30% has been invested in helping 170,000 families realize their dream of homeownership. And over the life of our mortgage financing programs, we have assisted over 2 million rural families.

'05 budget information (President signed appropriations bill on Wednesday, December 8)

USDA Rural Development has two goals.

Increase Economic Opportunity

Improve Quality of Life for all rural Americans.

Let me say that our housing programs are the bedrock of this Administration's commitment to rural America.

Rural homeownership rate continues to outpace the national rate -- 76.1% in 2004 (1st quarter comparison) compared to the national rate which stands at 69.2%

But, while rural America has the highest percentage of homeownership, we are committed to do more. Particularly to assist minority families in living the American Dream.

For USDA's part, we developed a Five-Star Commitment to remove lending barriers to increase minority homeownership opportunities.

1. We agreed to reduce barriers to minority homeownership:

To assist with covering origination fees, we have allowed origination fees to be incorporated into the loan amount. Through reduction of such barriers, the

program guaranteed a total of \$3.18 Billion in loans in fiscal year 2004, a record for the program.

2. We committed to double the number of Self-Help participants by 2010:

Over 54 percent of the families who participate in this program are minorities.

In the last two years, grants to our Self-Help partners increased by more than 63 percent – to nearly \$33.6 million per year. We expect this to result in a great increase in minority families building their homes as the grantees do their work over the next two years. In FY 2004, we helped over 1,100 families build their own home.

3. We are working to increase participation by minority lenders through outreach:

Rural Development offices across the country have developed a marketing outreach plan to increase participation in the guaranteed loan program by lenders serving rural minorities. We are looking at ways to expand that initiative as we speak.

4. We are promoting credit counseling and homeownership education – critical to successful homeownership:

To succeed in this effort, USDA Rural Development entered into an MOU with FDIC --“Money Smart” training course that teaches housing applicants how to enhance their skills in handling money, create positive banking relationships, and ultimately achieve homeownership.

5. We are monitoring lending activities to ensure a 10% increase in minority homeownership:

USDA has jointly developed with HUD and VA an internal tracking system to measure the success of each of the 53 states and territories we serve. Overall, the number of loans to minorities has increased by more than 1,000 per year – an increase of more than 12 percent.

In addition to our Five Star Commitment we have an aggressive minority marketing effort underway, which is being accomplished through employing the services of several minority marketing firms; conducting an internal review of barriers; and reviewing consistency in program administration. We are continually looking at ways to better serve these communities.

These are aggressive goals, and we are working vigorously to meet the challenge presented by President Bush.

But we don't do this alone.

Government Partnerships are critical

We are working with several partners, including:

The Community Development Financial Institutions (CDFI) program -- which is now headed up by Rural Development's former housing administrator, Art Garcia. As a former CDFI manager in Texas, I realize the important role CDFIs play in leveraging and deploying capital and credit.

Fannie Mae, Freddie Mac, HUD, VA, NCUA, FDIC (Money Smart Program), and others.

Rural Home Loan Partnership (host of partners LISC/FHLB and others)

MOU with HUD to improve housing and economic conditions in the Southwest border region.

We must continue to build those strong relationships that will foster increased leveraging of Federal funds with other public and private sector funding. Each of us must reach out and seek new and innovative collaborations that ultimately increase the investment power in rural America.

Success To Date:

Let me share with you some of our more specific efforts.

In our centralized servicing center in St. Louis, MO, we have employed Spanish speaking staff to help more families remain successful homeowners.

In Kentucky -- bilingual Rural Development staff is working with [Mexican immigrants](#) to help them understand loan terms.

In Missouri – we are working with Nora Gardner “At Home Mortgage” – who has been our top Rural Development lender in Missouri for the last three years by utilizing our guarantee program through outreach into the community - her passion helps minority families achieve the American Dream.

In Tennessee – We held a conference, “New Neighbors, Opening the Doors to the Hispanic Community” with community leaders. One example is our partnership with Jose Gonzalez of [Conexion](#) Americas – we are partnering with Fannie Mae and the local housing commission to find ways to reach deeper into the Hispanic Community.

In Wisconsin – The Wisconsin Housing and Economic Development Authority (WEDA) provides families with a first mortgage loan and Rural Development provides a second mortgage loan. A special emphasis is on helping more Hispanic families attain homeownership.

In Pennsylvania -- we have worked with migrant workers to finance single-family housing near their place of employment at a mushroom farm.

And in Ohio – we are working with the Community Action Commission of Fayette County to increase participation by Hispanics in USDA’s mutual self-help program.

The Commission, who we have had a working relationship with for 12 years, is reaching out to the Hispanic population in an effort to recruit qualified families for this homeownership opportunity.

During the last 6 months, the agency has successfully recruited its first Latino participant, Dario Fuentes. On October 4th, the Commission celebrated National Hispanic Heritage Month along with USDA staff, homeowners and Youthbuild students in front of Dario’s home, which will be completed next month.

I think Dario summed it up best -- Dario said to the crowd that “being involved in this program has changed my life. I know that I have a very quiet and safe place and this is the first step of many in my life. I encourage more Hispanic people to apply to this amazing program.”

I don’t have to tell you, becoming a homeowner, changes lives. Our responsibility is to ensure that more hardworking, qualified families have this opportunity.

CHALLENGES:

We recognize that there are still challenges to be addressed, such as:

Single-Family Housing

Language Barriers

The need to foster more non-traditional banking practices

Multitude of Immigration restrictions, affects ability to have consistent policies.

Multi-Family Housing

In 2001-identified need to review MFH 515

CPA conducted -- Some of you were at our industry briefing on November 22. The Assessment was a study of our MFH portfolio. Host of issues: market & property conditions, and the propensity to prepay.

Findings under review and will help to direct implementation of program in future.

3560 – extended comment period to 60 days; January 26, 2005

Marketing Initiative – Launched an initiative to build awareness.

Let me briefly share with you other work we are doing in support of President Bush's economic and community initiatives:

- **Jobs – Economic Growth**
 - **\$115 Million in Value-Added Investments which are creating new market opportunities and jobs.**
- **Universal Access to High-Speed Internet**
 - **\$3.3 Billion Invested – Access to over 1.3 million rural homes and businesses. Like water and electricity – rural broadband infrastructure will be essential at creating economic opportunity.**
- **Community**
 - **Faith-Based and Community Initiatives**
 - **Community Facilities, introduced earlier this year the First Responder (CF)**
- **Environment & Energy**
 - **Renewable Energy -- \$190 million through Farm Bill Sec. 9006, value-added grants, and electric infrastructure loans**

Closing

Let me close by saying that USDA is working on many fronts to increase the opportunity for rural families.

Frankly, 60 million people or 25% of the U.S. population is counting on us.

The President believes that Americans create wealth – through hard work and innovation and the role of government is to create the environment for families and businesses to prosper and achieve the American Dream.

Our vision is for a prosperous and secure Rural America – a rural America that creates jobs and wealth – where businesses can compete both domestically and globally – and a place where families and children want to live and work.

As we continue to develop partnerships and streamline our program delivery mechanism, we hope that you will see that USDA Rural Development housing and business programs offer products that helps meet your customers' needs, is cost effective, and efficient.

We are committed to the future of rural communities. Thank you for the opportunity to join you today and thank you for your leadership.

Thank you and God Bless you.

#